

Gov. Doc. Ontario Hydro - Electric

J. A. Ross

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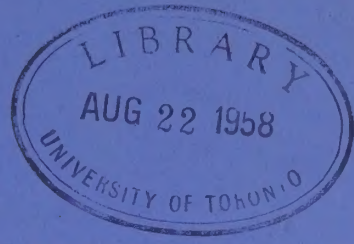
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CHER & CO. Enquiry Commission, 1922-1924
PORTERS
G., TORONTO

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HYDRO ELECTRIC ENQUIRY COMMISSION

QUEENSTON - CHIPPAWA

Estimates and Appropriations

TORONTO, MARCH 26TH, 1923.

W. C. Coe,
Official Reporter



I N D E X

TORONTO, Ont., Monday, March 26th, 1923.

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TO: DIRECTOR, FBI, WASHINGTON, D.C.

FROM: SAC, NEW YORK (100-100000)

SUBJECT: [Illegible]

Re New York letter to Bureau dated 10/1/50.

Enclosed for the Bureau are two copies of a letterhead memorandum (LHM) dated 9/29/50.

The LHM is captioned "Report of [Illegible] dated 9/29/50."

The LHM contains information regarding the activities of [Illegible] in New York City.

The LHM also contains information regarding the activities of [Illegible] in New York City.

The LHM is being furnished to the Bureau for its information.

Very truly yours,
[Illegible Signature]

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I N D E X (Cont'd)

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: 1923. :ission,dated Dec.31,1921.

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(Proceedings stand adjourned at 4.35 P.M. Monday,
26th March,1923, until 10.30 A.M. Tuesday, 27th
March, 1923.)

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HYDRO - ELECTRIC INQUIRY COMMISSION.

TORONTO, MARCH 26, 1923.

Present :

W. D. GREGORY, ESQ., CHAIRMAN.
M. J. HANEY, ESQ., COMMISSIONER.
LLOYD HARRIS, ESQ., COMMISSIONER.
R. A. ROSS, ESQ., COMMISSIONER.
J. A. ROSS, ESQ., COMMISSIONER.

J. H. W. BOWER, ESQ., SECRETARY.

QUEENSTON - CHIPPAWA

ESTIMATES AND APPROPRIATIONS.

N. W. ROWELL, ESQ., K.C., Counsel for the Commission.

J. B. ALLEN, ESQ.

I. B. LUCAS, ESQ., K.C.

F. A. GABY, ESQ., Chief Engineer.

W. W. POPE, ESQ., K.C., Secretary of the Hydro Commission, and

H. G. ACRES, ESQ., Representing the Hydro Electric Commission.

HON. MR. LUCAS : Mr. Chairman, I have been in communication with London yesterday as to the condition of Sir Adam and as to when it will be possible for him to give evidence. He is most anxious to come down at once. He was feeling comparatively better yesterday, quite cheerful as to his own condition, although he is submitting to a special X-ray examination today, I understand; unless the result of that indicates something serious, he himself thinks there is no reason why he cannot be down early this week. At

HYDRO-ELECTRIC COMMISSION

TORONTO, MARCH 23, 1923.

Present:

W. D. GREGORY, Esq., Chairman.
H. J. HARRY, Esq., Commissioner.
LESLIE HENRY, Esq., Commissioner.
H. A. ROSS, Esq., Commissioner.
J. A. ROSS, Esq., Commissioner.

J. H. BOWEN, Esq., Secretary.

ALFRED STON - CHIEF A.W.A.

ESTIMATES AND RECOMMENDATIONS

H. W. ROWELL, Esq., F.C., Counsel for the Commission.

J. E. ALLEN, Esq.

I. H. LUCAS, Esq., F.C.

H. J. HARRY, Esq., Commissioner.

H. J. HARRY, Esq., Commissioner of the Hydro-Electric Commission.

H. J. HARRY, Esq., Commissioner of the Hydro-Electric Commission.

HON. MR. LUCAS: Mr. Chairman, I have been in communication with London yesterday as to the condition of the

atom and as to when it will be possible for him to give an

address. He is most anxious to come here at once. He

was feeling comparatively better yesterday and is feeling

to his own condition, although he is exhibiting no signs of

any examination today. I understand, unless the result of

that indicates something serious, he himself thinks there

is no reason why he cannot be here early this week. It

any rate he will know tomorrow morning exactly when he can be here. He is most anxious to meet the convenience of Counsel and the Commission and appear at the earliest possible moment.

HON. MR. ROWELL : If he feels like coming, do you think Wednesday would be a convenient date?

HON. MR. LUCAS : I think so, and I think I can say definitely tomorrow morning as to that.

THE CHAIRMAN : I am pleased to hear that there is a prospect of his coming down at an early date.

HON. MR. LUCAS : We hope that and he certainly hopes that. I will be able to make the announcement after the special examination that is taking place.

I understand from my learned friend that the Commission are anxious to close this first branch of the inquiry as to the estimates at an early date. As I understand you, Mr. Rowell, you mean the branch as to the estimated costs that you have been dealing with?

HON. MR. ROWELL : That is the one we are now on. There may be some other of the items which the Commission is called upon to investigate, that we may be able to proceed with now and close early next week.

HON. MR. LUCAS : You do not anticipate closing this branch of the inquiry this week?

HON. MR. ROWELL : We hope that we can close this branch of the inquiry this week. There may be certain other subsidiary branches that we could close next week, and there will be certain branches that we are not ready to proceed with just at present.

HON. MR. LUCAS : The other branches of the main inquiry at a later date?

HON. MR. ROWELL : At a later date, as soon as the

engineers can get ready.

HON. MR. LUCAS : So that we may approximately understand our position, that would be roughly how far ahead?

HON. MR. ROWELL : That would depend on the engineers.

THE CHAIRMAN : From what we have learned from the engineers we think perhaps the second week in May. That is the other branches of the engineering. There are several as Mr. Rowell has said, that we hope to take up meantime, but there are some that the engineers tell us they will not be ready to give us the necessary data before about the time I have mentioned. Perhaps a little earlier.

HON. MR. LUCAS : But this branch we have been dealing with, the estimates and some subsidiary or minor things, that you would clean up next week, and then the main inquiry go over to a later date.

HON. MR. ROWELL : The main inquiry on the other branches, the branch of the actual cost and so on .

HON. MR. LUCAS : Then if I am not asking information that I should not be given, is it the intention of the Commission to make any interim report?

THE CHAIRMAN : Yes, on the estimates.

HON. MR. LUCAS : Then I ask what about the other witnesses? Other than the Hydro engineers themselves. Is it the purpose of the Commission to call other witnesses?

THE CHAIRMAN : Any other engineers, do you mean?

HON. MR. LUCAS : Yes.

THE CHAIRMAN : No, I think not.

HON. MR. ROWELL : No, we had no thought of calling other than the Hydro witnesses and the members of the Government who have been immediately concerned with this. We called Sir William Hearst. I imagine before the inquiry closes we will

call the Prime Minister, and Sir Adam Beck, the Chairman of the Commission, and Col. Carmichael.

HON. MR. LUCAS : But not any other engineers?

HON. MR. ROWELL : No.

HON. MR. LUCAS : Then what is occurring to me and to the officials of the Commission is this: on the estimates, that appears to drop out the men who, it seems to me of vital importance, should be heard upon this question before any interim report can fairly be made by the Commission.

You will recall, Mr. Chairman, as a matter of your general knowledge of it, and it has been brought out here from time to time, that as these costs were mounting steps were taken to call in independent engineers of the highest possible standing. These engineers were called in; they have reported; their reports are before you, and as I understand the material that has been brought out before this Commission indicates some idea that there is criticism of the engineers because their estimates have been exceeded. These are the Hydro engineers;

This is not the time for an argument at all, and I am not attempting to make an argument, I do not want to get into that branch of it, but it seems to me of vital importance that before this Commission can make any interim report which touches this question of increase in the estimated cost, you must hear in some way from the independent engineers who came in, particularly Mr. Stuart, perhaps Mr. Lea and the contractor Mr. Kerbaugh.

THE CHAIRMAN : There is a distinction, Mr. Lucas, between the estimates and the costs which make them up. The costs we have not taken up yet and cannot take up until our engineers' report is in. He will report on these increases from time to time. But when we say "estimates"

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we do not comprise the matter of costs at all. The costs have to be gone into, and it must be shown how the increase took place, whether it was proper or improper, justifiable or otherwise.

HON. MR. LUCAS : Whether correctly or not, there is a sort of atmosphere of criticism of the Hydro engineers because their estimates have been exceeded. Now these were estimates, not costs, but estimates, by outside engineers. The real and only substantial criticism which led up to the appointment of this Commission, was the exceeding by some ten or twelve or fifteen million, whatever it was, of the Stuart-Kerbaugh estimates.

THE CHAIRMAN : Mr. Lucas, would you suggest anything that these men Stuart and Kerbaugh, can say to us, that does not appear in their reports? I do not mean on the question of cost or increased cost, because that is a matter that will be taken up later.

HON. MR. LUCAS : The point, Mr. Chairman, is this; if it seems to me that is the object of the inquiry, and of the evidence, that there is criticism by reason of the estimates, these estimates were made by engineers who were not Hydro engineers, and they have been increased, and that has led to the appointment of this Commission.

You will remember, Mr. Chairman, Mr. Stuart's estimate was \$49,000,000. That was added to by some four or five or six million, bringing it up roughly to 55,000,000. Now the basis of that was the Stuart-Kerbaugh New York estimate. Not an actual cost but an estimate of what it would cost to finish this work as it has been finished. That estimate has been exceeded, and because it was exceeded, was the very event which led to your appointment as a Commission to inquire into that particular thing. Now it seems to me of vital importance surely to know what these men, who

made this estimate at this stage have to say as to why it has been increased.

THE CHAIRMAN : Mr. Lucas, would you like to call these men?

HON. MR. LUCAS : It seems to me that in some way or other we ought to have what they have to say about it.

THE CHAIRMAN : Anyone you wish to call on the general question of the estimates, we will be only too pleased to hear them. It did not occur to us that Stuart and Kerbaugh could throw any light on that question. As to the question of cost that is another thing.

HON. MR. LUCAS : They made their estimate and that has been exceeded.

THE CHAIRMAN : They made their estimate which speaks for itself; perhaps Mr. Rowell will give his views on it.

HON. MR. LUCAS : It seems to me that these men who were primarily responsible for the estimate which has been exceeded, and if this is an inquiry as to why it was exceeded --- their evidence is of importance.

HON. MR. ROWELL : Mr. Chairman, I would think, as you have suggested, that if the Hydro Commission think that Messrs. Stuart and Kerbaugh or any of these other witnesses should be called, then they certainly should be called, because every facility should be given, and I think that is the understanding, to present all aspects of the case; but I had not felt it important to have their testimony on this branch, because I rather take a different view of the situation from my learned friend. I had assumed the real point was not whether Stuart and Kerbaugh's estimate had been exceeded, but it was whether the estimates from time to time made by the Commissioners themselves and by the engineers of the Commission, reporting to the Commission, and by them to the Government, had been exceeded. In other words, there are the

reports from time to time by the engineers of the Commission and it is these reports that came to the Government, or information furnished by the Commission to the Government, and it was the Government that felt apparently that they had not received full information, or that for some reason the estimates had been exceeded.

Therefore my view was that on this branch of the case the important thing was to have the information from the Hydro engineers themselves as to their own estimates, how they arrived at them, and a comparison of these estimates from period to period until the final cost of completion, and then to have the Hydro engineers give their own explanation of why these estimates were exceeded and mounted up. That appeared to me to be the important thing on this present branch of the case, so far as the first half of the clause of the reference is concerned.

The reference you will recall is in this language:-

"All estimates submitted from time to time for the Queenston Chippawa Power Development, and also all estimates for the said work submitted by the Commission to the Government of Ontario."

There are two questions:-

(1) The estimates submitted to the Commission.

And second, the estimates submitted by the Commission to the Government.

On that latter branch we thought to call the Prime Minister, both the former and the present Minister; On the first branch as to the estimates submitted to the Commission, I thought the engineers of the Commission plus the Chairman of the Commission, would be the proper witnesses to give us testimony.

At the same time, if you think all these other

witnesses should be called, that can be done; we have their reports, and I have put them in. I have put in the reports of Stuart and Kerbaugh and they are all in Mr. Francis' report which is in; so that the Commission has all the estimates which they made, and also their explanation made some time later of why in their opinion the estimates were exceeded. That is all in before the Commission .

HON. MR. LUCAS : The Commission of course are to accept frankly at par Mr. Rowell's intimation that he desires to bring out all the information that there is, and I am making my submission in that spirit, and not as Counsel in litigation; but I am not sure that Mr. Rowell has the historical story of the estimates in his mind; perhaps he has but let me state what I think it is; I think it is fairly within this first clause.

The costs were mounting, to the knowledge of everybody. The Government naturally were anxious to know what the ultimate cost, the ultimate result would be; what may we expect in the future, what is the ultimate cost of this great enterprise to be; and so the Commission and the Government in conference, after conferring and after knowing what each was doing, decided to call in engineers, independent, of international reputation, to make estimates as to the cost of completing this work; and not the Hydro engineers, but Stuart, a man of the highest possible reputation on this continent is called in and he makes his report, he arrives at his estimate, he submits it to the Commission, and the Commission to the Government.

Not only that but the Commission and as well, the Premier, if I recall the fact rightly, the Premier himself met these very engineers not here in Toronto, but on the ground at Niagara, and with these very estimates which have been exceeded before them, in a very thorough manner, spending some days if

I re-call it, going over the work and going over these estimates with these very engineers whose estimates have been exceeded, that you are inquiring into, they went over them. The result shows that they have been exceeded, and we have been trying to find out how they have been exceeded.

THE CHAIRMAN : Not yet. We have not reached that point, Mr. Lucas.

HON. MR. LUCAS : You are trying to find out how they were arrived at. Now the men who prepared them, it seems to me, should be heard in that view. It is their estimates, as Mr. Rowell has pointed out, that are to be inquired into; to inquire into and report upon all estimates submitted from time to time for the Queenston-Chippawa Power Development, to the Hydro Electric Power Commission of Ontario. The most important estimates submitted at any time are these estimates by these New York engineers.

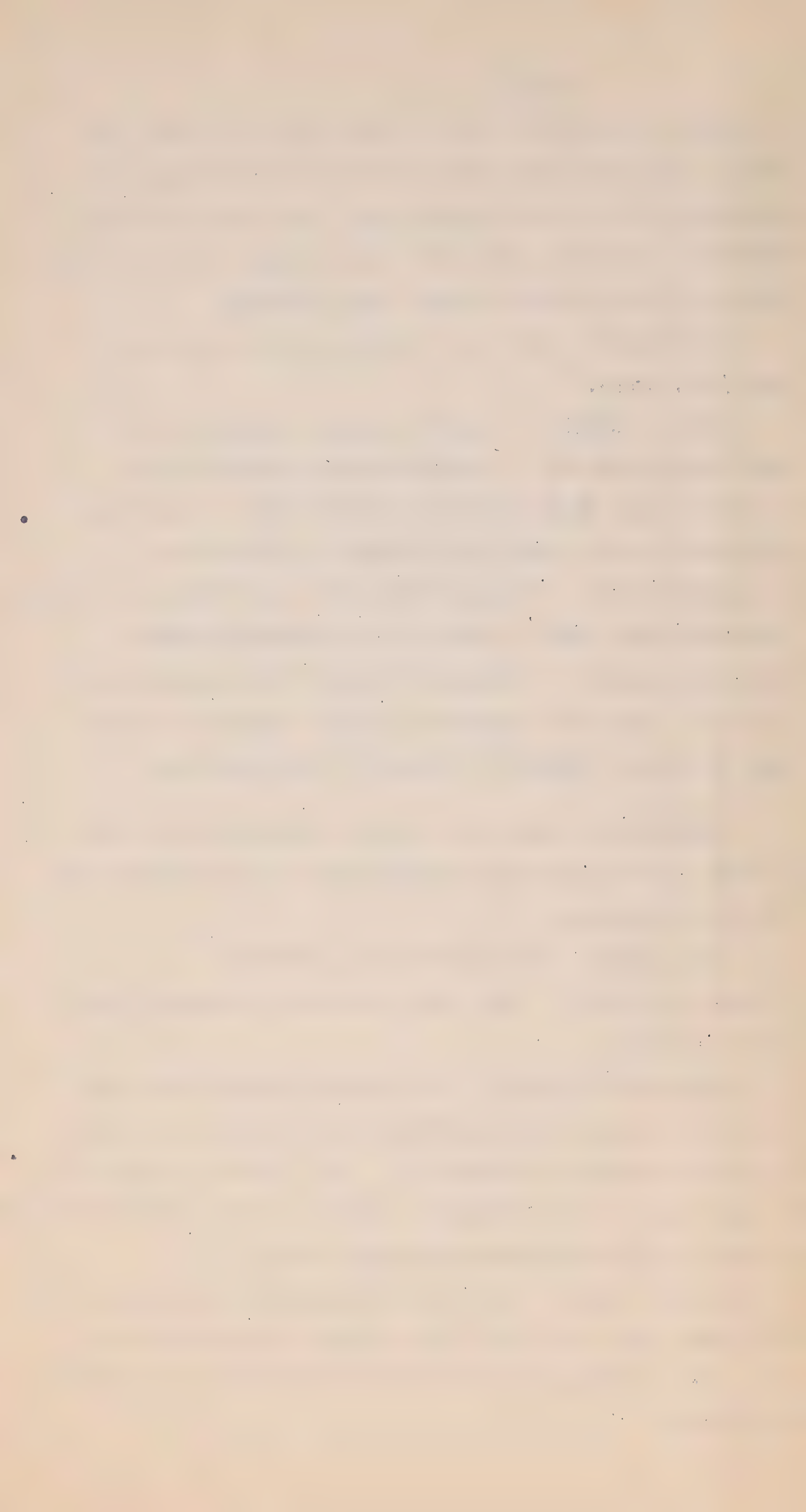
COMMISSIONER HARRIS : I do not think that is right. I think the most important estimates were those submitted by the Hydro engineers.

THE CHAIRMAN : If they were all submitted.

HON. MR. LUCAS : That was years earlier when they were first submitted,

COMMISSIONER HARRIS : Mr. Kerbaugh perhaps could tell us why his estimate was 49 million, made at the same time as the Hydro engineers' estimate of 27. We want to hear how he made that up, but I think the time to have Mr. Kerbaugh present is when we are discussing engineering costs.

HON. MR. LUCAS : But Mr. Harris you are surely in error - and I know you do not want to be in error -- in saying that they made an estimate of 27 million when he made an estimate of 49 million.



COMMISSIONER HARRIS : His estimate was made shortly after.

MR GABY : Three years.

HON. MR. LUCAS : I do not want to get into an argument. Mr. Gaby says three years after, which is a long time in the history of the world, because it includes the history of the war. I do not want to get into that detail, which is leading me into an argument, and I do not want to get into that now. We should have the material of those men who framed those estimates, and their explanation of why they were exceeded, and how they arrived at them. Otherwise, I submit, we are not in a position to make a full report; and I am submitting to my learned friend, whose duty here I need not define, but I know he will live up to his proper conception of his duty, and feel just as bound to bring that evidence out and to have those witnesses here if it is favourable to Hydro or otherwise, and it is well known, everybody knows what these engineers have had to say. Here are the documents. This Commission is the creature of Parliament and Parliament itself brought these men here, these engineers whose estimates have been exceeded were brought here and their estimates were the subject of inquiry.

COMMISSIONER R. A. ROSS : Mr. Lucas, I think perhaps a misunderstanding may arise in this way: I personally have never thought of the suggestion you make now. I do not think any of the Commission ever had it in their mind that the getting of those engineers here to give that testimony was relevant to this branch of the inquiry that we had in our minds. What we have been trying to do now -- at least what I had in my mind -- is a subdivision between the connection of the Hydro with the Government and the relations

between them, and the actual costs. The actual costs themselves have got to be determined by a very elaborate process, which is being carried on now, and is not ready for examination, and it would seem to me, if at any time, it is at that point Stuart & Kerbaugh will be necessary to be called in. At the moment, the only thing I have in my mind at least in this present discussion is what statutory powers have the Hydro, did they act up to them? Did they give the Government all their information, or what information did they give; was it in accordance with those statutory powers, and have they dealt with the Government fairly and squarely, and if not, why not? That is all at this moment, and it is only thereafter, when the engineers have cleared up the mass of figures that they have got, that we can go into the other thing, where Stuart & Kerbaugh will be available. Supposing you got those men here today what information could you get from them on the subject that has been taken up and that I have in my mind as the subject under discussion?

HON. MR. LUCAS : Then as you put it, Mr. Ross, the inquiry involves this, as you yourself have said: were the Hydro engineers who prepared these estimates incompetent? Or were they not frank? Or does the whole course of the evidence as submitted here and in the order it is submitted, tend to indicate to you -- as Mr. Harris has almost indicated in words -- that they were not frank in submitting these estimates, or else that they were incompetent? Now I say, have they been fair and full with the Government in the estimates which they submitted? Did they submit estimates at a lower amount than they had reason to suppose the work would cost at that time? Those are matters that may fairly be commented on by this Commission, I suppose.

And the overwhelming answer, the undisputed answer is that it is not these Hydro engineers, it is the independent New York engineers who came in and whose estimates have been exceeded, and who conferred with the Government and with the Premier, not only here but at Niagara, and it is their estimates which have been exceeded, not the Hydro estimates. And the explanations as to the increases up to the 49. period, and the 49 period on, and particularly from 55 to 65, are the estimates that the Premier and the Government desire an explanation of. Now that is an explanation of the increased cost over the estimates of the New York engineers.

COMMISSIONER R. A. ROSS : The only explanation they could give is one of figures.

HON. MR. LUCAS : No. Have you read their evidence?

COMMISSIONER R. A. ROSS : What evidence?

HON. MR. LUCAS : Parliament itself took this evidence, when this was warm and when everybody understood perfectly well the reason for the appointment of this Commission. Let me make it clear. One of the Hydro Commissioners resigned and said the estimates -- not of 27, nor of 28, nor 33, but of 55 and 49 -- were either not frank or they were incompetent. And because of that he resigned and this Commission was appointed. And our answer here to it is, and the subject of the inquiry is: Were they incompetent? Were they dishonest? Whose estimates? The estimates of Stuart and the other New York engineers, not Hydro engineers at all, who made their estimates and submitted them to the Government of the Province of Ontario. And these men have come forward at the request of Parliament, when the question was warm, and have submitted their story to Parliament, in great detail, under oath, and upon examination.

And that is available for you gentlemen, and goes to the very roof of the inquiry, and it is on record as a Parliamentary inquiry. I ask if I may be allowed to put that in as an Exhibit?

THE CHAIRMAN : Yes.

HON. MR. LUCAS : , And read it to you gentlemen, I will be quite satisfied, and it will go upon record then.

THE CHAIRMAN : You do not want to read it to us.

HON. MR. LUCAS : Well, Mr. Chairman, I always live in hope until the final decision is given, but I should think it would not do me much good to simply file it; I should like anyway to feel that my duty was performed and you heard what it was, so that your judgment might pass upon it.

THE CHAIRMAN : Is that the evidence taken a year ago?

HON. MR. LUCAS : Part of it was taken I think two years, and part one year ago. It is the evidence of these very men who made these estimates, as to how they made these estimates with this increased cost in sight.

COMMISSIONER RO A. ROSS : I must say I have never heard of it before.

HON. MR. ROWELL : I had not heard of it before; it is entirely news to me. I will look it over and we can discuss it further.

HON. MR. LUCAS : I accept the Chairman's statement that I may put in this sworn evidence by the men who made these estimates, and withthat I am ready to go on and rest my case.

THE CHAIRMAN : It was pretty fully reported in the press.

HON. MR. LUCAS : This is the verbatim sworn evidence.

THE CHAIRMEN : Anything that is relevant we are only too glad to have.

HON. MR. LUCAS : It may take me two hours; you won't

mind that, for us to put in our case; I can at any rate read the report of evidence that is already in; with that I think we can get on without the very heavy expense that would be involved in bringing these witnesses here. I think their evidence is necessary to get into your minds these vital facts, that you are enquiring into the estimates that have been exceeded, estimates not of Hydro engineers, but of independent engineers who have already given their explanation as to how they were wrong on their estimates.

HON. MR. ROWELL : Mr. Clarkson wants to get away this afternoon; he has to go out of town, and with Mr. Gaby's permission I will call him now.

HON. MR. LUCAS : I have referred to 21 and 22 of the Journals.

GEOFFREY T. CLARKSON, Sworn. Examined by HON. MR. ROWELL.

Q--Mr. Clarkson, you were appointed by the Government, I believe, as auditor of the accounts of the Hydro Electric Power Commission of Ontario? A--Yes.

Q--Do you recall the date of your appointment?

A--Under an Order-in-Council dated the 3rd May, 1916.

Q--When did you enter upon your duties? A--Some time after that. I cannot tell you how soon.

Q--I ^{find} in your reports from year to year, certain references to this Chippawa development. What is the first report you made on that? A--I have a report here of October 31st, 1917, which was delivered to the Government. It is dated the 22nd August, 1918. There is a reference on page 28, in which it is stated -- do you want me to read it?

Q--Yes. A--"Under the 'Ontario, Niagara Development Act', passed in April, 1916, the Commission is authorized to construct, maintain and operate works for the purpose of diverting the waters of the Niagara River, the Welland River, and tributary waters, and conveying the same by aqueduct, conduit, or canal to a point in the Niagara River and at the place where it is discharged, and to construct, maintain and operate the works for the production of electrical energy."

I think that is largely a quotation from the Act.

"The cost of the construction and maintenance of such works to be defrayed out of such moneys as may from time to time be appropriated by the Legislature and paid over by the Legislature for that purpose."

"Up to 31st October, 1917, the Province had advanced \$1,200,000 to the Commission for the construction of the Development works, as against which the Commission had

"expended \$2,376,789.50, the amount by which expenditures exceeded advances having been furnished out of the general funds of the Commission. The expenditures of \$2,376,789.50 were distributed as follows:?"

Then there is an account showing how they were distributed.

"Legislation passed in 1917 provides that the cost to Municipal corporations of power supplied by the Commission from any source at Niagara Falls or in the vicinity of Niagara Falls shall be annually adjusted and apportioned by the Commission in the same manner as provided in the Power Commission Act. In this way, the price to be paid by municipalities for power generated and supplied by the Niagara Power Development works must be sufficient to cover all necessary operating costs interest and renewals and provide for the accumulation of a sinking fund sufficient to repay to the Province the amounts it shall advance to meet the cost of such works."

Q--And that is the only reference appearing in that report?

A--That is the only reference.

Q --To this development? A--Yes.

Q--This contains no reference to the total estimated cost?

A--It does not sir.

Q--By the way, in passing , I note you mention there that the amount advanced by the Government was \$ 1,200,000, and the Commission have expended about \$3,000,000?

A--That is right.

Q--What authority did you find, if any, for that over-expenditure? A--They had not authority.

Q--Then what is the next report you made on the matter, Mr. Clarkson? A--The next is a report dated the 16th April, 1919 for the fiscal year ending 31st October, 1918.

Q--What was that? A--On page 7. The heading of the item is: "Niagara Power Development Works."

"Under the Ontario Niagara Power Development Act passed in April, 1916, the Commission is authorized to construct, maintain and operate works for the purpose of diverting the waters of the Niagara River, the Welland River and tributary waters, and conveying the same by aqueduct, conduit or canal to a point in the Niagara River, and at the place where it is discharged to construct, maintain and operate the works for the production of electrical energy, the cost of the construction and maintenance of such works to be defrayed out of such moneys as may from time to time be appropriated by the Legislature and paid over to the Commission for the purpose.

Up to 31st October, 1917, there had been expended by the Commission upon the undertaking the sum of \$2,376,789.50. During the fiscal year ending 31st October, 1918, expenditures amounting to \$5,174,181.45 were made, raising the total investment on that date to \$7,550,970.95 distributed as follows." Then there is an account

detailing the expenditure.

"It is estimated by the Commission that the sum of approximately \$17,500,000 will be required to complete the work, of which \$436,200 is presently represented by liability under contracts outstanding.

"Advances made by the Province in connection with the development amounted, on 31st October, 1918, to \$5,075,000, the amount by which expenditures exceeded these advances having been provided out of other funds of the Commission.

Q--What authority did you find for providing the excess amount out of other funds? A--There was no authority Mr.

Rowell.

Q--Now I want to deal with the estimates, Mr. Clarkson, that made the total estimated cost of the completion of the work. Will you give us the figure?

A--It amounted to \$25,050,970.95. Twenty five million in round figures.

Q--How did you get the information that enabled you to put those figures in your report? A--They were obtained from Mr. Gaby.

Q--At what date? A--I should say at some time in March or April, 1919.

Q--Did you take it up or verify it with the Commission or otherwise?

A--No, only to this extent, that it was agreed by the Government that in presenting these reports from time to time, and as a matter of fairness to the Commission, I should discuss the reports with the Chairman of the Commission, so that if I made any criticisms which he thought unfair, or which might be objected to, he would have an opportunity of seeing them and discussing them before a formal report went into the Government. Accordingly, it has been my custom with every annual report, after it was prepared, to discuss it with the Chairman of the Commission. That is, after it was drawn up and put in shape for signature, I would go over it with him so that if there is any point where he thought I was unfair and could not be justified, there would be an opportunity of bringing it up.

Q--Did you go over these two with the Chairman in the way you have mentioned? A--Yes.

THE CHAIRMAN : May I ask if any exception was taken by the Chairman to these statements you have just mentioned?

A--Exception was taken from time to time.

Q--To these figures, though? A--No sir.

HON. MR. ROWELL : Then what is the next, Mr. Clarkson.

A--The report of October 31st, 1919 delivered under date 3rd April, 1920, page 7. There is the same heading, "Niagara Power Development Works, \$14,713,970.19. " Then there is the same original statement; just the explanatory note as to the authority for the work. Then follows this paragraph:-

"To October 31st, 1917, there had been expended by the Commission upon the undertaking the sum of \$2,376,789.50; during the fiscal year ending October 31st, 1918, expenditures amounting to \$5,174,181.45 were made, and during the fiscal year ending October 31st, 1919, \$7,162,999.24 was expended on the works, raising the total investment in the undertaking to that date to \$14,713,970.19, distributed as follows." Then it shows the details.

Then the next paragraph is:-

"It is estimated by the Commission that the ultimate cost of the works will be about \$40,000,000, and that they will be completed to an extent permitting generation of power by the fall of 1921."

Q--From whom did you get that information about the estimated cost and about the date of completion? A--That was obtained from Mr. Gaby.

Q--At what date? A--I should say in February or March, 1920.

Q--You say here "It is estimated by the Commission". Did you take this up with any member of the Commission? A -No, I went over the report with Sir Adam just in the same way as in prior years.

Q--Was any exception taken to the figures you gave here?

A--No.

Q--What is your next report? A--There is just one further

reference, Mr. Rowell, on page 18. The appropriations by the Legislature for the purpose of the Chippawa works, amounted to \$11,075,000, March 31st, 1919, as against which expenditures by the Commission for the purposes of such works were \$14,713,970.19. That is on page 18 and brings it into line with the other reports. It is just a change, that is why I mention it.

Q--Up to this time, did you find any authority for the expenditure of this excess? A--No.

Q--Then what is your next report? A--The next report is to October 31st, 1920. The date of the report is 17th October, 1921. I want to make this clear; when I say this information was gotten from Mr. Gaby, I cannot tell you, it was received either by Mr. Guilfoyle or myself from him. I don't say I obtained it personally; it is just as apt to be Mr. Guilfoyle as myself. However, it was obtained from that source.

Now, 1920; Under the Niagara Development Works Act, and I repeat the same heading.

"To October 31st, 1920 the Commission had expended \$26,846,896.22 upon the undertaking."

Then I state:-

"In 1916 \$33,512.91.

In 1917, \$2,343,276.59.

In 1918, \$5,174,181.45.

In 1919, \$7,162,999.24.

In 1920, \$12,132,926.03.

Making a total of \$26,846,896.22."

And then there is a statement as to what that is chargeable to, that is the different departments and branches of the work.

Q--As that is not in print as yet, will you state it, or perhaps we could have a note of it? A--It is in the report that is on file with this Commission.

Q--Then give the page and we can check it up?

A--It is page 11 of this report.

"Of the \$26,846,896.22 so expended upon the works sums aggregating \$22,360,000 were appropriated by the province and paid over, to October 31st, 1920, for such purposes, the balance of \$4,486,896.22 having been applied out of moneys advanced by the province to the Commission for the purposes of other systems.

"For the fiscal year ending October 31st, 1920, the sum of \$10,500,000 was appropriated by the Legislature towards construction of the Chippawa works, out of which appropriations and special warrants for \$4,000,000 sums aggregating \$11,285,000 were paid over to the Commission. Expenditures in the year upon the works amounted to \$12,132,926.03, details of which are set out in Schedule 4 hereto. The excess of the expenditures over moneys advanced by the province for the purposes of the works was obtained out of advances for the purposes of other systems as is shown on schedule 3 hereto:

"As of date October 31st, 1920, it was estimated by engineers of the Commission that the cost of the Chippawa works with a productive capacity of 275,000 H.P. would be approximately \$54,000,000 to \$55,000,000 and that such works would be completed to an extent permitting generation of power by September 1921 costs in addition thereto, of extensions to transformer stations and lines of the Niagara system made necessary with construction of the Chippawa works are included in \$8,611,433 proposed to be expended upon works and lines of the Niagara system in the fiscal years ending October 31st, 1921 and 1922."

Then the next goes on to deal with an agreement for the manufacture of cement.

Q--Now then you state in this report, Mr. Clarkson, that it was estimated by engineers of the Commission that the cost of the Chippawa works with a productive capacity of 275,000 H.P. would be approximately 54 to 55 million dollars? A--Yes.

Q--Who did you get that information from? A--That information was obtained from Mr. Gaby.

Q--Did you go over that report also with the Chairman or any other members of the Commission? A--I went over it with the Chairman.

THE CHAIRMAN : At what time did you obtain that information from Mr. Gaby? A--I cannot tell you when I obtained it exactly. I would say it would be towards August or September, 1921, but as of date October 31st, 1920. As their opinion of that date. It is as of date October 31st, 1920 that it was estimated.

Q--That a certain amount would be required after that time?

A--No, their opinion on October 31st, 1920 was that the works would cost 54 to 55 million.

Q--And that may have been changed subsequently?

A--Subsequently, yes.

HON. MR. ROWELL : Was any exception taken to that when you went over it, Mr. Chairman? A--No.

Q--Or to the other parts of your report this year relating to the Chippawa development? A--No.

Q--Then what was your next report? A--Report made under date June 24th, 1922, for the fiscal year ending October 31st, 1921. After the same introduction it says:-

"To 31st October, 1921 the Commission had expended \$58,018.366.89 upon the undertaking, that is the Niagara Development works, as follows:

"In the fiscal year ending October 31st, 1916 -				\$33,512.91
do.	do.	1917		2,343,276.5 ⁹
do	do	1918		5,174,181.45
do	do	1919		7,162,999.24
do	do	1920		12,132,926.03
do	do	1921		31,171,470.67

Making a total of \$58,018,366.89

"Such expenditures have been distributed by the engineers and accountants of the Commission over the various classes of canal and plant construction, construction equipment and overhead expenses in manner following. "

Then there is a statement.

Q--Are there many items in that distribution or is it a limited number? A--About a dozen.

Q--Perhaps it would be convenient to have it in the record.

COMMISSIONER J. A. ROSS : I think we have a copy of it.

A--Of the \$58,018,366.89 so expended upon the works, sums aggregating \$53,040,674.52 were appropriated by the province and paid over to October 31st, 1921, for such purposes and the balance of \$4,977,692.37 was applied out of moneys advanced by the province to the Commission for the purposes of other systems to the extent of \$4,806,215.78 and out of renewal and reserve funds belonging to the Niagara system to the extent of \$171,476.59.

"For the fiscal year ending October 31st, 1921, the sum of \$26,700,000 was appropriated by the Legislature, and in addition the sum of \$3,980,674.52 was authorized by Treasury Board minute to be advanced to the Commission towards construction of the Chippawa works. The total amount, \$30,680,674.52 covered by such appropriations and Treasury Board minute, was paid over to the Commission in the year. Expenditures

"In that period upon the works amounted to \$30,890,787.54, details of which are set out in Schedule 6 hereto. The excess of the expenditures over moneys advanced by the Province for the purposes of the works was obtained out of advances for the purpose of miscellaneous construction and out of renewal and other reserve funds belonging to the Niagara system. See schedule 4. According to estimates, furnished by the Commission to the province, amounts aggregating \$8,000,000 will require to be advanced by the province to the Commission over the fiscal year ending October 31st, 1922, in respect of the Chippawa works.

"As of date February 10th, 1922, the Chairman of the Hydro Power Commission reported to the Government that in the opinion of engineers of the Commission, a total sum of \$68,865,603 would require to be expended to complete the Chippawa works to a point permitting generation of approximately 275,000 H.P. and that in reduction of such expenditure the Commission expected -- during the period of construction -- to recover upwards of \$3,500,000 as the salvage value of construction plant, buildings or stores. Such estimated amount does not include the cost of new transformer stations, and equipment or extensions to lines and stations on the

Niagara system made necessary with the construction of the Chippawa works. The expenditures on such transformer stations and lines for the fiscal year ending October 31st, 1921, are included in the expenditures on that system as shown on schedule 5 hereto, while the estimated expenditures to be made thereon in the fiscal year ending October 31st, 1922 are included in the estimates of moneys to be expended on the Niagara system."

Q--What does that make the total estimated expenditure as of February, was it, 1922? A--Yes. \$68,865,603.

Q--Less? A--Less three and a half million. That would be \$65,365,603.

Q--Assuming that that amount was recoverable?

A--Yes. February 10th, 1922, that report was made to the Government.

Q--Did you go over that also? A--No, I didn't go over that report. I went over this with the Chairman.

Q--The report you have now read? A--Yes.

Q--Any objection taken to it? A--No.

Q--Did you go over these figures at all with the engineers?

A--The \$65,000,000 figures?

Q--Yes. A--No sir that was not in my province.

Q--You spoke there of certain expenditures in connection with the transformers and changes not being included in the Chippawa estimates but being included in the Niagara system. I don't know what that refers to. Can you tell me just what that has reference to? A--There is a statement of expenditure in 1921 on the Niagara system, \$2,831,000, so much on right of way, steel tower. lines, transformer stations, and ^{wood} pole lines, rural power : districts and extensions to existing rural lines. That is in schedule 5.

(Page 4430 follows)

Q--Now can you tell me what that covers, Mr. Clarkson?

A--No. It was estimated that in 1921 they would expend on the Niagara System \$28,291.00 on right-of-way; \$499,000.00 on steel tower lines; \$2,237,785.00 on transformer stations; \$65,873.00 on wood pole lines; \$14,876.00 on rural power districts; \$36,338.00 to the extension of existing rural lines. That is, what they did expend is \$2,882,000.00, subject to a credit of \$50,455.00 for the amounts realized from the sale of rural lines.. That is what they spent.

Q--What relation has that to the Chippawa Development?

A--Only that part of the amount expended on transformers stations was rendered necessary by reason of that development.

Q--Then you also state that the estimates for completing that particular branch of the work are included in the estimates of the Niagara System, as I followed your reading?

A--Yes that is right, sir.

Q--What is that, and what does that amount to? A--Well, in the front of the report there were estimates given by the Commission to the Government as to the amounts that would be required to be expended in the fiscal year ending October 31st, 1922. That is on page 5 of this typewritten report; and it contains for transformer stations and transformer equipment for Chippawa works and for betterments and extensions of the Niagara System \$4,712,000.00.

Q--Now what relation, if any, do you say, that items has to this Chippawa Development? A--Some of these expenditures were necessary because of the generation of the power from the development works and these were necessary for its distribution.

HON. MR. ROWELL: Anything else, Mr. Lucas?

HON. MR. LUCAS : Yes, there is something, Mr. Rowell,

CROSS-EXAMINATION BY HON. MR. LUCAS.

Q--Mr. Clarkson, you have told my learned friend and I just want to ask you these questions for the purpose of making clear what your answers mean, not to challenge the absolute accuracy and correctness of your statement. You have pointed out that in one particular case the advances made by the Province in connection with the development amounted, on the 31st October, 1918, to \$5,075,000.00, and that the amount by which expenditures exceeded these advances had been provided out of other funds of the Commission?

A--Yes.

Q--And Mr. Rowell asked you what authority there was for expending these other funds of the Commission, and your reply was that there was no legal authority? A--To expend on that work, yes, that is right.

Q--That same criticism might be applied to a number of different years, without going into details?

A--There was an over expenditure made sometimes in the latter years. Sometimes they were less.

Q-- I want to see that we all understand what that means. I have here the total appropriations made by the Government for Queenston-Chippawa up to the end of October 31st, 1922, as prepared by Mr. Francis for the Commission, showing a total appropriation of \$65,925,674.00?

A--Yes.

Q--And the total expenditure \$65,862,878.00.

A--Well, what is your assumption from that?

Q--My only assumption from that is that on the whole work, taking all the years, the Legislature did appropriate the total amount expended.

A--They did, Mr. Lucas; but, for instance, here is the fallacy in this.

Q--In some years they exceeded? A--Yes.

Q--And in some years they lapsed? A--Yes. There is another point in there, where are the advances?

Q--The advances were less? A--Yes.

Q--Now we have started with this that the total appropriations covering the period 1916 to 1922, by the Legislature, exceeded by a small amount the total expenditures? A--Yes.

Q--So that, apart from the fact that in certain years we exceeded the appropriation and in certain other years we did not expend^{it}, and it lapsed, the total amount was covered?

A--In that way; but in certain years, also, Mr. Lucas, you drew less than you were entitled to draw out of those appropriations, and consequently expended money out of other funds when, if you had drawn your whole appropriation, you need not have done so.

Q--It is true that up to the year 1920, where the appropriation was less in any one year than the amount required to carry on the work, the practice was to meet the excess expenditure under the authority of Section, is it "6-B", the General Fund clause? A--Oh, I do not agree with you there.

Q--I am not asking you as to legal authority, for the moment, but I am asking you for the practice? A--Really, their practice was to go ahead and to expend the moneys that were necessary, and they had votes and appropriations against those expenditures; and latterly they had the power, if they were over-expending, to go to the Government and get a grant to cover it; but in some cases they neglected to do what they

might have done to bring themselves within the Act. Personally, if I may say so, I never regarded that matter so very seriously, in connection with the Niagara Power Development, because it was a work that was being carried on and the Government knew of the expenditures and they could have got the appropriation for it at any time.

Q--But what I want to get from you in plain English which everybody can understand, is that up to 1920 the Act was defective in that neither the Government nor anybody else, if the expenditure was going to exceed the estimate, could provide for it? A--That is right. They had either to shut down or go on and exceed their appropriation.

Q--And that right for the Government to exceed the appropriation was never given until in that Act of 1920?

A--Section 24-B, I think it is.

Q--And that does account for that point. Then, since 1920, there has been no over-lapping? A--Yes, there has been some over-lapping, but nothing seriously. You cannot avoid some over-lapping or under-lapping, by reason of the transfers at the end of the year.

Q--And no system can stop that? A--No.

Q--Up until 1920, you would call it a defect in that Act, wouldn't you, that did not allow a Government to exceed appropriations in carrying on a business?

A--I would rather put it in this way, that there was nothing within the Act which permitted the expenditure of moneys beyond the appropriation. You can characterize it anything you like. The fact is that after 1920 a provision was inserted in the Act, giving them authority to advance additional amounts to carry on any work that was necessary.

Q--But the Government could not have given that appropriation prior to 1920? A--No.

Q--And the only alternative was to stop the work.

THE CHAIRMAN: No. Knowing the amount they had to expend within a certain time, they might have laid out their work accordingly.

HON. MR. LUCAS: If the appropriation was not sufficient, there was no alternative within the law but to stop the work?

A--They had to stop the expenditure of money, yes. The point I insist upon is that moneys appropriated for one work could not be used for another.

THE CHAIRMAN: You take a different view from Mr. Lucas on that section 6-B? A--I do not know that we are as different as he thinks we are.

THE CHAIRMAN: I would rather accept Mr. Clarkson's view which is that it does not give power to use money appropriated for another work.

MR. LUCAS: No, Mr. Chairman, you have misunderstood me and Mr. Clarkson, we agree exactly.

Q-- Mr. Clarkson, what is the General Fund clause? A--Six.

Q--You have the clause very well in your head? A--Yes.

Q--If there is an appropriation in the Legislature, and the work is authorized, you can draw from other funds under the General clause, properly? A--The view I have is that the Legislature has appropriated moneys for a purpose, and the work is authorized, that if the Commission draws money from the general fund to go ahead with that authorized work, it is not contravening the law.

Q--Although it was given you for another purpose?

A--As long as it is authorized by the Legislature. If the

Legislature authorizes \$5,000,000.00. for a certain work and you have expended your \$5,000,000.00, you have no right to go ahead and take in more money from that fund.

Q--We are quite agreed on that. But the General Fund clause has been up so often and it has been so often stated that I differ from you, although I do not, as I am exactly with you. If the work is authorized, you can use any funds that you have in your hands? A--If the Legislature has passed an appropriation, and the work is authorized, they can draw from the General Funds up to an amount of that appropriation for that work, because they are always able to go to the Government and get their appropriation.

Q--Regardless of the source of that money? A--Yes, they can always go to the Government.

HON. MR. ROWELL: But they could not continue to draw from that fund above the amount of the appropriation?

HON. MR. LUCAS: Oh no, but if they had made an appropriation for that purpose you can draw upon it.

THE WITNESS: If you do not do that, it will cost the Hydro \$175,000.00 or perhaps more than that for interest.

Q--So that all this talk about using funds handed to you by the Government for one purpose, for another purpose, is quite within the law if there is authority from Parliament to make the appropriation? A--That is the way I interpret the section.

COMMISSIONER HANEY: When did that clause become effective?

HON. MR. LUCAS: 1918, Mr. Pope tells me. Now, the other clause is 20, which relieved another impossible situation, that if the appropriation was exhausted, somebody somewhere, if it was desirable, would have authority to go on with the work and give the money.

A--It relieved this situation. If you had a work in course of construction and exhausted your appropriation under the Act, as it was you had to stop or violate the Statute. The Government had no power to relieve you. Under section 24-B, the Chairman of the Commission ^{could} go to the Government and get a Treasury Board Minute.

Q--The Legislature votes money, but all Governments in every civilized land have a clause for exceeding their appropriation under the authority of the Executive? A--Yes, under the Audit Act.

THE CHAIRMAN: Mr. Clarkson made the statement this afternoon that the expenditure of more money on the work than is authorized by the Legislature is illegal?

A--Mr. Gregory, by what was said, I did not mean that. I say that they exceeded their authority on Chippawa year by year.

Q--That was not covered by this section either then or now?

A--No, but I do say to you this, that in certain instances there, had they chosen to do so, their appropriations by the Legislature ^{at} were in excess of what they do, that is they could have drawn more money but neglected to do so.

Q--I do not think you pointed out in your report to what extent that was true? A--No, I did not. I only pointed out that they had in certain instances over-expended, and that was the fact.

RE-EXAMINED by MR. ROWELL.

Q--Just one or two questions, so as to have the record clear. The information you gave in your Annual Reports was the amount by which the expenditure exceeded the advances from year to

year?

A-- Yes sir.

Q-- And where you told us there was no authority to cover it in the years you have mentioned?

A-- That was a fact.

Q-- Now can you tell me whether during those same years, 1917 -18 and 19, the expenditure exceeded the appropriations?

A -- I do not know that. I can find that out, but I do not know it now.

Q-- On this document from which my learned friend was quoting, page K13, part 1, exhibit 36, I find the appropriation for 1917 was \$1,000,000.00, and the expenditure \$2,343,376.59, that is part of these totals. 1918 the appropriation was \$4,175,000.00, and the advance was \$3,875,000.00, and the expenditure was \$5,174,181.45?

A-- You see, in that case they would have drawn a considerable sum less than they might have, Mr. Rowell.

Q-- And the expenditure was about a million more than the appropriation?

A-- Yes.

Q-- And the advance was \$300,000.00 less than the appropriation?

A-- Yes.

Q -- Then in 1919 I see the appropriation was \$6,000,000.00, and the advance was \$6,000,000.00, and the expenditure was \$7,162,999.24. That is a case where the expenditure was \$1,162,999.24 both over the appropriation and the advance. Then in 1920 the appropriation was \$14,500,000.00. and the advance \$11,285,000.00, and the expenditure was \$12,132,926.03, that is where the appropriation was over three millions more than the advance, and over two millions

more than the expenditure?

A-- Yes, you see they did not protect themselves there.

Q-- The expenditure was some \$900,000.00 more than the advance in that year. Then I see, in 1921, the appropriation was \$30,680,674.52; the advance is \$30,680,674.52, that is the full amount of the appropriation was advanced; and the expenditure was \$31,171,470.67?

A-- That is in 1921?

Q-- Yes?

A-- They do not agree with our figures. The appropriation and treasury board minute was \$30,680,674.52; and the expenditure \$30,890,787.54; a difference of \$210,000.00.

HON. MR. LUCAS: Would the difference be the transfers at the close of the year?

A-- No, these are the right figures.

HON. MR. ROWELL: Let us see how your figures compare, for 1922?

A-- I have not got them.

HON. MR. LUCAS: Will you summarize all those figures?

HON. MR. ROWELL: They have been summarized.
\$65,925,674.52.

Q-- Is it a matter of law that these lapsed at the end of the year if not expended?

A-- Yes.

Q-- Then can you properly summarize the total appropriations, if you want to get at the legal votes available for use at the end of the year?

Q-- Well, I have it here in my report down to October 31st, 1921. The amount expended was \$4,977,692.00 in excess of payments over to the Commission; but of those amounts it was possible in some of those years for them

to have drawn more money so as to lessen that expenditure. I only deal with the fact that they did not do so.

Q-- As far as I can see on the figures contained in this table, Mr. Clarkson, the year 1916, in which there was a vote of \$500,000.00 but only \$33,000.00 spent, the only other year in the period covered by your table in which the expenditure was less than the appropriation is the year 1920?

A-- I do not know, sir, I have not got that information.

Q-- Apparently in the year 1920 they could have drawn more on their appropriation than they actually did, and in the original year, 1916, where they only spent \$33,000.00 they could have drawn more; but in the other years, according to this table, expenditures exceeded the appropriation by the amounts we have given.

CROSS EXAMINATION BY HON. MR. LUCAS:

Q-- Following up 1920, the appropriation for 1920, you will see on this summary, if it is correct, is \$14,500,000.?

A-- That is right.

Q-- And the requisition or request by the Commission on the Government for appropriations, do you show that?

A-- They drew \$11,285,000.00.

Q-- Have you a statement showing the amount of their requests?

A-- No, I have not.

Q-- You have it summarized here?

A-- No, I haven't it, I do not know that.

Q-- Upon this report by Mr. Francis, to the present Commission, the requests or requisitions on the Government for money voted was \$14,500,000.00, and the amount voted was \$14,500,000.00.

HON. MR. ROWELL: On what page is that?

HON. MR. LUCAS: Page K-31. You can tell us the amount received, Mr. Clarkson. Let me put it in another way. We were authorized to spend \$14,500,000.00?

A-- Yes.

Q-- And we did spend how much?

A-- \$12,132,000.00.

Q-- That is, we received from the Government \$11,285,000.00?

A-- Yes.

Q-- And we spent \$12,132,926.00?

A-- You over-expended nearly \$850,000.00.

Q-- But why did we over-expend it, because this report shows that we made requests to the Government for our appropriation to cover it, and yet they did not pay it over. Isn't that all?

A-- I do not know that.

HON. MR. LUCAS: I may be mistaken in saying that the requisitions were \$14,500,000.00 for actual money.

RE-EXAMINATION BY HON. MR. ROWELL:

Q-- My learned friend asked you about the right to issue treasury warrants to cover additional expenditure, where the appropriation is exhausted. Did I understand you to say that there was no right to do that prior to 1920?

A-- No, I do not think there was any right prior to 1920, It is my understanding that there was not, anyway, Mr.

Rowell.

Q-- And the clause in the Act to which you refer as giving the right in 1920 is this clause referred to as 24-B?

A-- Yes, that is the one which allows the Chairman of the Commission to go to the Government and certify that his appropriations have been exhausted in respect of any works, and that he needs additional funds to go on with

them. That is 24-B, I think.

HON. MR. ROWELL: That is all, Mr. Clarkson.

Mr. Chairman and members of the Commission, just before resuming with Mr. Gaby, I want to refer back to my learned friend, Mr. Lucas' statement in reference to the evidence that should be called on this particular matter that the Board is now investigating. I may say that my learned friend did not give me any notice that he thought additional witnesses should be called. I mean that the first I had heard of any such suggestion was what my learned friend stated here; nor was I aware up to that time that these parties had given evidence before the Public Accounts Committee. I had put in their reports; I had also put in their explanations which they subsequently gave of why their estimates were exceeded, and I assumed that that covered the matter; but I want to make it quite clear to my learned friend that if there is any witness in connection with this or any other branch of the case that he thinks should be called for the purpose of making clear the position or explaining any matter that is before the Commission for consideration, if he will be good enough to let me know, unless it appears to me perfectly clear that it could not be relevant they will be called, and in the event that it appears to me perfectly clear that it could not be relevant I will bring it before the Commission and they will decide. I would be very glad to arrange to have them here; but my learned friend gave me no notification at all in connection with this matter before mentioning it here; and I have had no opportunity of considering it.

F. A. GABY, SWORN, examined by Hon. Mr. Rowell :

Q-- I think when we adjourned on Friday, you were looking for your estimate of \$55,000,000.00, I think you said, based, I understood it, upon Stewart & Kerbaugh's estimate. Were you able to locate it?

A-- Here's a copy of the estimate as submitted to the Government of the fifty four or fifty five million dollars, commonly referred to as \$55,000,000.00.

Q-- This estimate is dated February 28th, 1921. It will be Exhibit number 42. And it is headed, Estimates, Fiscal Year 1921, for period November 1st, 1920 to March 21st, 1921, for Queenston, \$12,500,000.00. For period April 1st, 1921, to October 31st, 1921, \$14,200,000.00. Total, \$26,700,000.00. Now that was the estimated amount. That was your request to the Government for an appropriation, \$26,700,000.00?

A-- Yes sir.

Q-- And then accompanying that is a statement of expenditure to October 31st, 1921, of \$26,759,011.00. Estimated 1921-1922 \$26,700,000.00, and what is the other item?

A-- \$876,798.00.

Q-- What is that second item?

A-- That is the estimated appropriations for 1922.

<u>EXHIBIT NO. 42</u> :	Filed by	:	Estimates presented
:	Mr. Rowell	:	to the Government
:	March 26, 1923.	:	dated Feb. 28, 1921.

Q-- To give the total cost for the completion of the work?

A-- That was it, yes.

Q-- Making the then estimated total cost for the completion of the work how much?

A-- \$54,335,809.00.

Q-- Then was this the estimate that the Commission

submitted to the Government in February 1921 of the estimated total cost for completion of the work?

A-- It was submitted in two ways. It was the estimated appropriation for 1920-1921, and also the estimated appropriation to complete the work in 1922, and the amount expended totalling \$54,335,809.00.

Q-- Then is this a fair statement, and if it does not fairly state the situation I want you to correct it, that the Commission's estimate of the total cost of the completion of the work, on February 28th, 1921, was the \$54,335.809.00?

A-- Yes, that is the best information they had at that time as to estimates. That was based upon Messrs. Stewart & Kerbaugh's estimate of 1920, with certain additions made thereto.

Q-- This particular statement does not refer to Stewart & Kerbaugh?

A-- No. But that was the only information which the Commission had before it as regards estimates, at that time.

Q-- Then we'll come to that in a minute or two. So far as this estimate is concerned, it is an estimate coming from the Commission to the Government?

A-- An estimate from the Commission to the Government.

Q-- It came from whom to the Commission? Who prepared this for the Commission?

A-- I prepared that for the Commission.

Q-- Then it is an estimate coming from you as Chief Engineer to the Commission and from the Commission to the Government.

THE CHAIRMAN: Is there anything to show the differences between that and the Stewart & Kerbaugh report?

A-- No, it is simply a request for an appropriation

from the Government.

Q-- You told us on Friday that the Stewart & Kerbaugh estimate could not be compared properly with the estimate of the cost of completion of the work, because it contained an item which you thought should properly be excluded, and did not include one or more items which you thought should properly be included, namely, interest and certain overheads?

A-- I do not remember any statement as to any exclusion, but I do remember that there was an inclusion which there should have been of current interest, other than that which the Contractor takes care of, That of the accruing interest made in the previous years, and those were to be added to the Stewart & Kerbaugh estimate. In addition to that, they had, in preparing their estimate, taken into consideration what the ultimate cost of this proposition was estimated to be, and had omitted certain items for right of way, as being items that we would obtain revenue for by disposal of some at a later date.

Q-- Are you able to give me, on the basis of the Stewart & Kerbaugh estimate, what items, if any, first you say should be excluded from it to get a comparable estimate with the later estimates. You were mentioning one on Friday I think?

A-- I think you are referring to Mr. Hugh L. Cooper's estimate, on Friday?

Q-- No, we were discussing the crushed stone?

A-- I am not referring to the forty three million dollars, but I am referring to his total estimate of \$49,000,000. in arriving at the figure of \$43,000,000.00, Messrs. Stewart & Kerbaugh assumed they could dispose of certain of the plant for certain amounts of money,

and sell certain amounts of stone and obtain a revenue from same, in arriving at the total of \$43,000,000.00. Those are not comparable at all to our estimates to the Government, because our \$54,000,000.00 was up to that time including all costs, assuming that the figures on Stewart & Kerbaugh's estimates for \$49,000,000.00 represented the estimated cost of the work, because that is what the Commission used in guiding it to present its estimate to the Government.

Q-- Then, in the Commission's estimate of February 1921, Exhibit No. 42, which placed the expenditure up to date of completion at \$54,335,890.00, you did not deduct or did you deduct anything in the estimated residual value of plant and stores on hand?

A-- No, we did not make all deductions in that amount, particularly, no. If anything were disposed of in the meantime that would be carried on as a credit; but no particular amount was deducted as estimated from the sale of stone or final salvage on equipment.

Q-- Then that \$54,000,000.00 would not be comparable with the \$65,000,000.00, but would rather be comparable with the \$68,000,000.00 in the following year?

A-- No, it is comparable with the \$65,000,000.00 because that \$68,000,000.00 includes an additional two millions dollars for interest again accruing on back payments on expenditure in previous years on the development. They are not comparable.

Q-- Then take the forty nine millions. How do you bring that up to the fifty four millions which you submitted to the Government?

A-- I brought it up by adding approximately to the estimates, which were about \$44,900,000.00, I believe,

approximately ten percent, making \$4,450,000.00, and an additional \$600,000.00 in the year 1922.

Q-- What did you add the 10 percent for?

A-- To take care of such contingencies as I thought might come, and also the accrued interest on back expenditure previous to October 31st, 1920.

Q-- Did that, in your opinion, represent the fair estimated cost at that time, after you had added the 10 percent?

A-- All I had before me was the estimated cost of Stewart & Kerbaugh, and they had spent months in going over that in detail, and I assumed their estimates up to that point correct, as far as their unit costs are concerned, after their investigation; and I took theirs as a basis for this estimate, adding on the 10 percent to take care of extra interest and contingencies.

Q-- You heard Mr. Acres' testimony that he had gone into these estimates with Stewart & Kerbaugh, and so far as it related to his branch of the work he agreed with them as fairly representing the cost at that time?

A-- I heard him say that. He is referring to the unit costs.

Q-- Did you agree or did you differ from that?

A-- I did not differ. We accepted those figures.

Q-- Did you go into the figures at all, yourself?

A-- No, I did not at that time.

Q-- And, as Chief Engineer in charge, responsible for the work, you did not think it was incumbent upon you to form any opinion yourself?

A-- I had not the time, at that time. I was busily engaged with the Sutherland Commission, night and day, and I had not the time to go into the figures in detail; and I accepted the figures as presented to me by the

consulting engineers.

Q-- Now then, we have Mr. Acres' testimony that he agreed with the Stewart & Kerbaugh figures as far as they related to his branch of the work. Who would be on your staff who would go into the estimated cost of the other branch of the work with Stewart & Kerbaugh?

A-- Mr. Brandon, on the electrical installation, I suppose.

Q-- Does that cover it all?

A-- That practically covers it all, except small items in connection with railway bridges and things of that kind.

Q-- If Mr. Brandon agreed with Stewart & Kerbaugh's estimate, - I do not know whether he did?

A-- We can accept the figures as far as our estimates are concerned, because our estimates in 1922 were approximately the same and our estimates today are approximately the same.

Q-- Then we get back to this, that so far as all work other than that covered by Mr. Acres' branch, there is no material difference?

A-- No material difference.

Q-- Then the whole difference is between the estimated cost of that portion of the work of which Mr. Acres was in charge and the cost as it subsequently developed?

A-- Practically so, yes.

Q-- Then, if Mr. Acres, as he has stated, accepts the Stewart & Kerbaugh estimates for his branch of the work, and so reported to you, is there any portion then of that estimate of Stewart & Kerbaugh for which the Hydro engineers were not prepared to take responsibility^{as} of that date?

A-- As to the unit figures, I believe that the engineers

reported to me that they were in agreement with Messrs. Stewart & Kerbaugh. As to the total summation of the estimate as submitted to the Government I am responsible for that, by the additions I made thereto to take care of any possible discrepancies and the interest on moneys which had been expended previous to the year for which we were considering the estimates to the Government.

Q-- Then your engineers report to you their agreement with Stewart & Kerbaugh estimates?

A-- On the unit cost figures and the unit quantities do not vary a great deal from that of the Stewart & Kerbaugh estimates. There is one thing I want to bring out now, Mr. Rowell, that probably I had forgotten. You asked me at the last hearing, I think, on Friday afternoon, in reference to a letter of Mr. Kerbaugh's in which he will accept the contract. I would like to refer you to another letter of Mr. Kerbaugh's in which he explains his views in connection with that letter and also perhaps an estimate, which was submitted, I believe, to the Government, showing how he would arrive at the unit costs, and what he would include in that contract. It is already in.

Q-- Will you tell me the date of that, so that I can see it ?

A-- December 31st, 1921.

Q--That is what Stuart & Kerbaugh were seeking to explain, the difference between the estimated and actual cost ?

A--That is their report on that.

Q--Is it in that file ? A--I don't know whether it is or not, I was looking through the file but did not see it. He points out that unit prices, on his figures, would be, as far as possible, the cost for the canal work in accordance with the estimates that he submitted in 1920.

Q--This letter from H.S.Kerbaugh, dated December 31st, 1921 to the Chairman of the Hydro Electric Commission, will be Exhibit No.43.

<u>EXHIBIT NO. 43:</u>	Filed by	:	Letter from H.S.Kerbaugh
	: Hon.Mr.Rowell	:	to the Chairman of
	: March 26,	:	Hydro Electric Commission,
	: 1923.	:	dated Dec.31,1921.

And the effect of the letter, Exhibit No.43, as I read it hurriedly, would appear to be this : that if you eliminate from consideration unforeseen contingencies, which he estimates to have cost approximately \$7,403,000, and if you eliminate \$3,600,000 more for ordinary contingency items which were under-estimated, it would make a total of \$11,000,000. His figures would not differ greatly from the final result? A--What I wanted to point out, was this; as a contractor he would have asked for those extra contingencies, and would have come along and carried out the work under his tender on the unit prices as stated in his letter of such and such a date, at the figures which were placed in the estimate.

Q--If he had got \$11,000,000 more than the figures he mentions, or if you add \$11,000,000 to his estimate, you get about the actual figure ? A--That is as far as the \$11,000,000 is concerned. If it had been a contractor, that amount would have been an extra, as far as he was

concerned.

Q--I thought it would not have been difficult to reconcile any of these figures, if you add enough on. That is his explanation ? A--That is his explanation.

Q--Not yours, his ? A--Without going into details, I do not think it can be ridiculed at all, those are things you can call for quite correctly in a contract, under "contingencies", and would be taken into consideration in dealing with the \$11,000,000.

Q--Mr.Gaby, in the regular construction contract which the Hydro would make if they were letting a contract, could all these items that he claims there, amounting to \$11,000,000, be legally claimed outside of the contract ?

A--I have not gone into the details.

Q--I want to know if that is the kind of contract the Hydro makes, that would enable the contractor to claim such amounts as these as being outside of the contract, taking the letter as the basis of the contract ?

A--Mr.Rowell, you cannot talk in generalities that way, when you are making a contract you have to include the classification of the items in order to get at the unit price, in order to determine whether certain items are within the classification, or not. When you have the items properly classified in the contract, then you know just what you have to pay the contractor for.

Q--Would it not be your duty, or the duty of the Hydro Electric Commission to see that conditions are as found on the ground ? A--The engineer deals with conditions as brought about by the actual construction.

Q--However, that is his report ? A--Those are his conditions.

Q--There was another question I asked you, Mr.Gaby, if you could give me information on today, and that is with

regard to the so-called estimate of 2a of January 3rd, 1919, for \$25,102,915. which consists of the original figures of February, 1917? A--There is no such estimate.

Q--I have referred to it as the "so-called estimate."

A--There is no such "so-called estimate".

Q--Let us put it in another way, I want to put it in anyway that will meet with your view, Mr. Gaby. The estimate you had before you. A--I did not take the estimate we had before us in 1919.

Q--Then, on what basis did you furnish the information to Mr. Pope on which he advised Mr. McGarry in February, 1919, that the estimated cost was between \$24,000,000. and \$25,000,000? A--That is the estimate of 1917.

Q--Were you perfectly frank with the Government in February, 1919, when they were asking for information with regard to the total cost, when you gave them an estimate two years old, if you did not then agree with that estimate? A--I did, having in view the expectations of the future, that prices might come down to the basis of immediately preceding the war, and that conditions would improve, labour conditions would be far better, and the stringency relieved. That was the viewpoint, we took conditions as they were, and made an estimate of ~~the work then done~~ what was fair to expect with regard to the future, considering only 10% of the work was done.

Q--Mr. Gaby, what I want to get is this; do you, or do you not, accept the responsibility for the estimate made to the Government in February 1919 for \$24,000,000 or \$25,000,000, as fairly representing your estimated cost of the total work at that time? A--I would not say; I possibly could have answered the question if it had been asked at that time. There was only about 10% of the work done, and we expected better conditions in

the future. We did not feel warranted in making any change in the estimates that we had prepared in 1917 in view of the fact of our expectancy that there would be a reduction in the cost of labour and in material, and we expected that the stringency as far as the labour market was concerned would be relieved. There could be no doubt in our minds, if we had been asked to prepare an estimate as of that date, as to what it would cost under those conditions, we would have had prepared an estimate at a higher value than that.

Q--How much higher? A--Wages increased 65%.

Q--I am not asking you to give the details.

A--I cannot tell you, sir, in details as to the estimate made at that time.

Q--No details were made up by you at the time?

A--No computations were prepared with regard to a new estimate because we expected conditions to improve in the future, the armistice was only a few months past.

Q--Are you able to give us any information of what the total cost of the contract would be on the basis of the prices of labour and material prevailing at the time you gave that figure to Mr. McGarry? A--No sir.

Q--You cannot say whether it would be \$1,000,000 or \$5,000,000? A--Not without the conditions, and so forth, at that time; no estimate was prepared as of that date to suit the conditions.

THE CHAIRMAN: I understood Mr. Rowell to ask you, Mr. Gaby whether you accepted the responsibility for the reply given to Mr. McGarry?

A--Well, we expected conditions to change, and we had only completed 10% of the work, therefore advised Mr. McGarry that the estimate would possibly be \$24,000,000 or

\$25,000,000, that is the old estimate of 1917, no other estimate was prepared.

Q--Do you assume the responsibility for the reply given to Mr. McGarry? A--I do not know that I gave the information, I cannot say definitely now, but it is probable that is what I would have done if I had been asked the question at the time. If we had been asked at the time what it would cost to complete the work in the future, we would have said that conditions did not warrant any change in the estimate because we expected conditions to return to the pre-war basis, and would have made an estimate of the same character as the estimate we prepared in 1917.

HON. MR. ROWELL: Did you reason that Mr. McGarry was asking about the cost to complete the work, when he wrote that letter? A--Yes.

Q--He received your answer, which did not give him the information, and he came back and specifically stated that he wanted the estimate^a cost of the completion of the work?

A--Would you let me see those letters, Mr. Rowell, please?

Q--Certainly.

A--Mr. McGarry was asking for information to enable him to place the matter in the budget, and he said he would like a statement showing how much money was expended on the Chippewa Development, and as to the estimated cost of the completion of the work. We anticipated the future.

Q--The reply which was made did not give him all the information asked for, and he wrote again on the 24th, in which he states:

" On the 20th inst. I wrote you a letter in which I asked for:

1. The estimated expenditures for the current fiscal year.

" 2. A statement showing how much money has been expended on the Chippawa Development up to the present.

3. The estimated cost of completion of this work,

4. A statement showing what horse-power will be developed at that cost.

In the information given me today, I see nothing except the estimated amount to be expended this year.

I would like you to give me the completed information with as little delay as possible."

He asked you for this first statement furnished by the Commission, and then comes back and specifically states he wants the estimated cost of the completion of the work.

On the following day, the 25th of February, the Secretary of the Commission replies as follows:

" Yours of the 24th inst. to hand. I regret that the information furnished you by Mr. Gilmour, our Treasurer, did not contain all that you require.

I am now instructed to advise you, in reply to your letter of the above date, that the amount of money expended on the Chippawa development up to the 31st January, 1919, was \$8,487,215.52 of which approximately \$3,000,000 was for construction plant, and machinery.

The cost of the completion of the work was estimated at \$24,000,000 to \$25,000,000. The horse-power to be developed at that cost is estimated at 300,000.

Trusting this will give you the information you require. If, however, there is anything further I shall be pleased to furnish it. "

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That letter states pretty clearly that the cost of the completed work was estimated at \$24,000,000 to \$25,000,000. Having regard to the fact that Mr. McGarry was pressing for the estimated cost of the completion of the work, if you had any idea at that time that these figures would not cover the entire cost, do you not think, as a matter of fairness, you should have given that additional information to the Provincial Treasurer? A--As I said before, that was our judgment as at that time, that conditions then existing were such that there would be a reduction in the cost of labour, it would relieve the labour stringency, and it was our expectation that we would have conditions approximating prewar conditions. With these things before us, we had no reason to make any other change in our estimates of 1917.

Q--Well then, it all comes back to the point of view, and if you agree, there is no object in pursuing it. I ask you again, do you accept the responsibility for the statement furnished to the Prime Minister in February of 1919, that it was, in your opinion, a fair estimate of the cost of the completion of the work? A--In my opinion, having regard to the conditions then existing, as I have stated before, I think on a dozen occasions -- it is my opinion, having in mind the conditions then existing, and the possible reduction that everybody expected to take place in the labour market, and the return to approximate pre-war conditions, that was my estimate of what it would cost to complete the work at that time.

Q--Now, Mr. Gaby, just one more question: Did you give the Government a fair and frank statement, upon which the Government would be justified in acting, or did you not? You gave them this figure, without any explanation; we have the whole thing in the letter. Now, I ask you, taking

that letter, do you accept the responsibility of that figure as being a fair estimate of the cost to the Government at that time? A--A fair view of the future cost of the work, having conditions in mind as I explained before yes.

Q--If you accept responsibility for the estimate at that time, that is all I wish to know? A--For that statement, having in mind conditions, as I said before.

THE CHAIRMAN: Having in mind anything that would bear on the cost? A--Yes, the trend of the markets, and the conditions we expected to materialize.

HON. MR. ROWELL: Q--Is there anything in connection with the estimate submitted at that time that would indicate you had regard to all the circumstances existing at that time.

A--Well, I wouldn't say "Existing at that time," but we took into consideration the future.

Q--Well, considerations existing at the time, or for the future. The Engineer must estimate with regard to the future as well as existing conditions, in making his estimate.

A--We had no reason to change the estimate in view of conditions as they materialized at that time.

Q--When did you discover, or did you discover during the year 1919 at all, that your estimate wouldn't hold good?

A--I don't think there is any particular time that I can place upon any discovery we have of an increase in 1919, instead of a reduction of labour charges of 49 per cent, I don't know of any particular information that was considered when the estimates were prepared in 1919.

Q--How did you arrive at the figure that you gave to Mr. Clarkson of \$40,000,000, mentioned in his report of April 1920, for the year 1919? A--Mr. Clarkson, while walking down the hall with me in the Commission's office, asked me if I thought we could build our canal for \$24,000,000

to \$25,000,000, to be completed some time in the Spring of 1919, and I told him, no, in view of conditions that existed at that time, and the changes in the past year, that had not met our expectations, we could not do it for that amount of money. He wanted to know how much, and I told him, I couldn't tell, there were no estimates available. He said, "Can't you tell me approximately?" and I said, "Probably sixty to seventy per cent increase in wages, and sixty to seventy per cent added to what is the approximation." I told him, until we went into the details, I could not give him anything in detail.

Q--Did you know what Mr. Clarkson wanted the figure for?

A--For his general report.

Q--For his report to the Government? Did you make any further figures than the amount you have now given us, as the basis for his report to the Government? A--Not at that time, no.

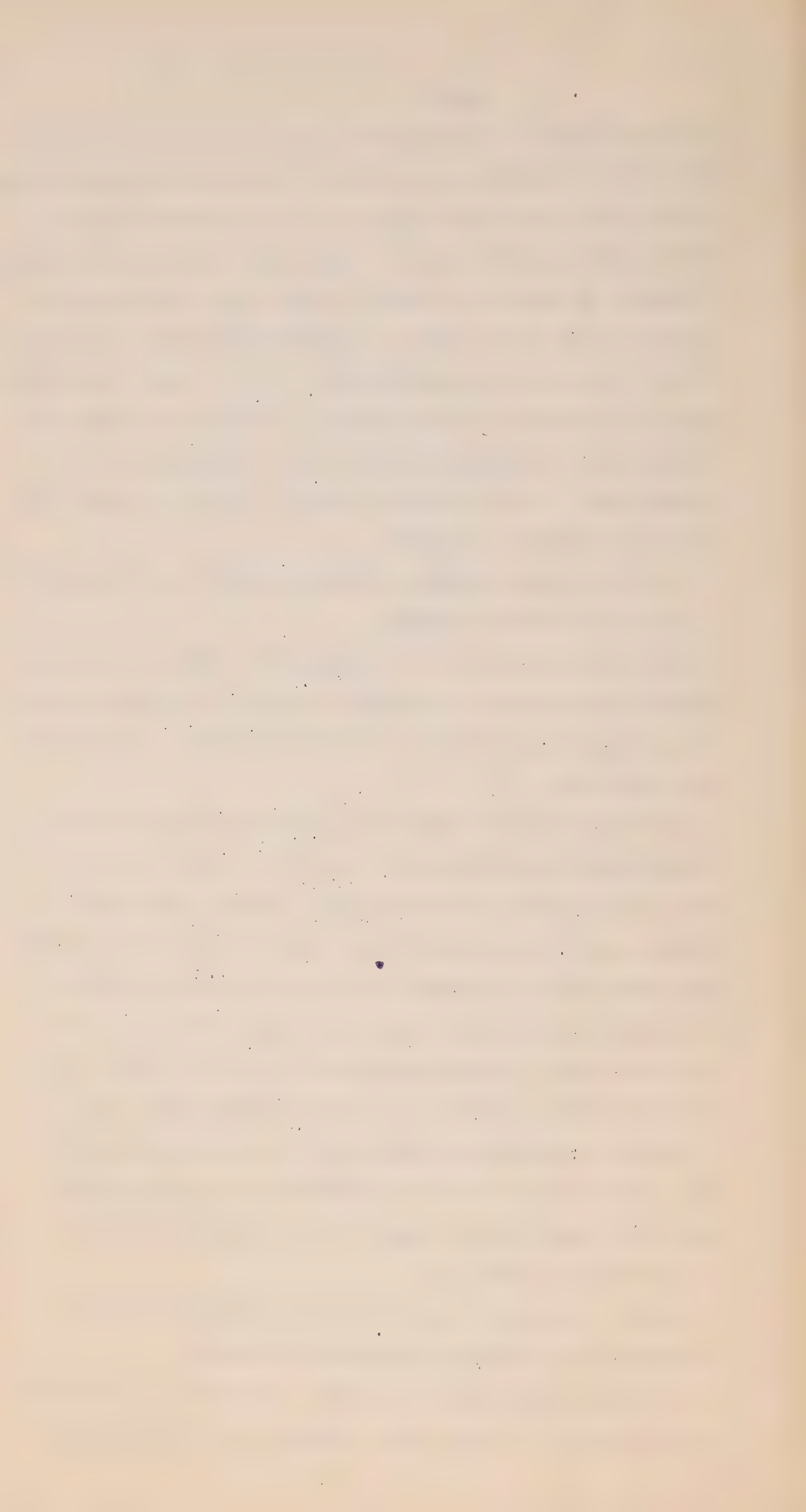
Q--You were just walking down the hall and said to him, "Approximately \$40,000,000?" A--Yes, I told him it would take 2 or 3 months to prepare an estimate that would be of any use. He could not wait, and just took what I could give him, which was 60 to 70 per cent above \$24,000,000 to \$25,000,000., that would be a rough estimate of what it would cost, without going into details at all. He couldn't wait. We did not prepare anything in detail.

Q--He was submitting this report to the Commission before it was sent on to the Government; did you go over this item with the Chairman of the Commission at all?

A--Not that I know of.

Q--Where would the Chairman of the Commission get any information to check Mr. Clarkson's figures?

A--I don't know where he could. There was no possibility of doing it in the time available in order to give



it to Mr. Clarkson for his report. It had been determined that an independent Engineer would be placed on the job to check the estimates, and it would take about 4 months. As I remember, it was not completed until March, 1920.

Q--Have you any recollection of giving any information to the Chairman of the Commission whereby he might check the figure that Mr. Clarkson put in the report? Or did you discuss it with the Chairman at all? A--I don't know, I may have, in all probability we did discuss it. The only information we had was only a rough estimate of the cost.

Q--Did you see the report that Mr. Clarkson submitted to the Chairman of the Commission? Did the Chairman use to go over these reports with you? A--I probably did, yes.

Q--You probably saw it. Did you raise any objection to the figure put in the report, in the way Mr. Clarkson put it in? A--No objection, it was simply an approximation and not based on any detailed estimate.

Q--Did you suggest that should be put in the report?

A--I didn't suggest it; Mr. Clarkson had already put it in the report, I had no objections to it going into the report. At that time there was some discussion as to an investigation taking place.

Q--You based it on a general 60 per cent increase on the whole estimated cost? A--Approximately, from the information that we had available as to the increase in the cost of labour.

Q--The labour would be included in the item of "labour."

A--Materials had also increased.

Q--Let us deal with this one item. You had mentioned there was a 60 per cent increase ^{what} percentage of the

total estimated cost that will be represented by the "Labour" item? A--At that time, I can't tell you, probably 30 per cent.

Q--Had there been a corresponding increase in other items? A--I should say yes.

Q--Is that your present recollection? A--Yes.

Q--Of the situation as it then stood? A--Yes.

Q--Now, you suggest at this time it had been decided to get experts to make a report? A--I did not say it was decided, I said a request had been made, about this time, to make a thorough investigation of these costs, and report to the Government.

Q--Was this request made before or after it was decided to have an independent report? A--Oh, just about the time, probably a little before, a week or so before.

Q--Do you remember the date it was decided to have an independent report? A--Sometime in April, 1920.

Q--Who recommended that there should be an independent report? A--The Commission.

Q--Did you recommend it to the Commission? A--I don't know that I did, I discussed it, and they were in favour of it.

Q--I noticed in the Minute of the Commission, dated April 27th, 1920:

" The Chief Engineer submitted a recommendation setting out a proposition from Hugh L. Cooper & Co., of New York City, covering the preparation of a complete report on the construction work at Niagara at an estimated cost not to exceed \$10,000 to \$12,000. After careful consideration it was decided that the same be approved and the services of this Company engaged."

The Chief Engineer's report on this matter, dated April 27th, 1920, is quoted in full below: -

Whether that is in the Minute or not, it is an extract from your letter I quoted here, by Price Waterhouse.

" I beg to submit herewith a proposition from Hugh L. Cooper & Company, of New York City, covering the preparation of a complete report on the construction work at Niagara, which would include an investigation of the general scheme of development, the adequacy and suitability of the construction plant now in use as related to the conditions peculiar to the project, an investigation of the quality and cost of the work done to date, the probable cost of completion, together with all other matters which it may be necessary to cover, in order to meet the public criticism which has recently been directed against the Queenston-Chippawa project."

What is referred to there, Mr. Gaby? A--I should judge it is with regard to certain criticism that had been directed against the mounting cost of the Queenston-Chippawa Development. That is all that I can recollect, at that time.

Q--You recommend that a report be prepared from this firm in order to meet public criticism which had recently been directed against the Queenston-Chippawa development. Can you tell me what was the nature of that public criticism?

A--In general, you will find in the Financial Post that almost continually, for the last 2 or 3 years, there had been criticism of the Queenston-Chippawa Development from an engineering standpoint, from a cost standpoint, and from various other points, and it was in order to meet such arguments as those that it was suggested an independent report should be made. And in addition to

that, we had an enquiry from the Government, the same as other years, asking for a report, and it being a new Government, we thought that we should give them a full report in connection with the whole undertaking.

Q--There is no reference in this Minute , or in this letter, of it being based on any Government request?

A--No.

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Q--It appears to be some/ initiated by the Commission itself to meet public criticism which was directed against the project. I do find, Mr. Gaby, that prior to this the Prime Minister had requested a full report ?

A--March 18th, yes.

Q--In his letter of March 18th ? A--Yes.

Q--And it appears in the minutes of March 23rd:

"On the meantime I shall appreciate it if the Commission will let me know what the estimated costs of construction of the Chippawa Power Canal will be and when it is expected that such works will be completed; what the condition with respect to the water supply to the canal is, and the amount of power it is proposed that the Chippawa Works will develop."

Now, what information did you give the Prime Minister at that time, what did you furnish to the Commission or its Chairman to give the Prime Minister at that time, as to the estimated total cost ?

A--We didn't give anything probably, because it would take two or three months to get the details he asked for. I doubt if we gave anything to him at the time.

Q--Well, you gave the total \$40,000,000 ?

A--Approximately, yes.

Q--Did you give that same figure to the Chairman to give to the Prime Minister?

A--Not that I know of.

Q--Do you remember giving the Prime Minister any figure ? A--I don't remember, no.

THE CHAIRMAN: We will adjourn until half past ten o'clock tomorrow morning.

Proceedings stand adjourned at 4.35 p.m. Monday,
26th March, 1923, until 10.30 a.m. Tuesday,
27th March, 1923.

